Health Services
LOS ANGELES COUNTY

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www.dhs.lacounty.gov

To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.

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September 16, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

23 September 16, 2014

SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

REQUEST FOR DELEGATED AUTHORITY TO EXECUTE AGREEMENTS FOR SUPPLEMENTAL MEDI-CAL MANAGED CARE PAYMENTS (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

SUBJECT

Request approval and delegation of authority to the Los Angeles County Department of Health Services to execute agreements with the California Department of Health Care Services to make two kinds of intergovernmental transfers that would fund supplemental Medi-Cal managed care rate increases and to pay the State for administering the program, and to execute amendments to existing agreements with the Local Initiative Health Authority for Los Angeles County and Health Net of California, Inc. to specify the terms related to the pass-through of the additional payments received as a result of the intergovernmental transfers to the California Department of Health Services.

IT IS RECOMMENDED THAT THE BOARD:

Delegate authority to the Director of Health Services, or his designee, to prepare and execute, on behalf of the County of Los Angeles, the following six agreements and/or amendments for the October 1, 2012 through September 30, 2013 service period, for the “rate range” payments, and two agreements/amendments related the "S.B. 208" payment for the service period October 1, 2012 through September 30, 2013, subject to review and approval by County Counsel and written notification to the Chief Executive Office and to the Board when the final agreements are executed:

1. An agreement with California Department of Health Care Services (DHCS) under which the Los Angeles County Department of Health Services (DHS) will make an intergovernmental transfer (IGT) of approximately $60.0 million to fund "rate range" Medi-Cal managed supplemental payments to Local Initiative Health Authority for Los Angeles County, doing business as L.A. Care Health Plan (L.A. Care), which will be passed on to DHS.

2. An agreement with DHCS to make an IGT of approximately $4.0 million to fund "rate range" Medi-Cal managed care supplemental payments to Health Net Community Solutions, Inc., acting on behalf of Health Net of California, Inc. (Health Net), which will be passed on to DHS.

3. A superseding agreement with DHCS which increases the IGT that DHS is committed to make from $58.5 million to $81.4 million to fund supplemental "S.B. 208" Medi-Cal managed care payments to L.A. Care in connection with services to seniors and persons with disabilities, which will be passed on to DHS.

4. Two agreements with DHCS to pay the State the administrative fee assessed on the rate range related IGT amounts going to L.A. Care and Health Net respectively, estimated at $12.0 million for L.A. Care and $0.8 million for Health Net, totaling an estimated $12.8 million.

5. An amendment to the existing hospital service agreement with L.A. Care allowing it to make additional "rate range" related payments to DHS of approximately $120.0 million, funded through the IGT.

6. An amendment to the existing agreement with Health Net allowing it to make additional "rate range" related payments to DHS of approximately $8.0 million, funded through the IGT.

7. An amendment to the existing hospital service agreement with L.A. Care allowing it to increase the supplemental S.B. 208 related payments to DHS, funded by the IGT, by $45.8 million, from $81.7 million to $127.5 million.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The recommendations will allow the Director to: 1) enter into the agreements, substantially similar to Exhibits I and II, with DHCS, which allow DHS to forward IGTs to DHCS to be matched with federal funds. These IGTs provide the non-federal share of Medi-Cal supplemental payments to L.A. Care and Health Net, which will then be passed on to DHS, and are designed to increase the payments from the low end of actuarially sound rates to the high end of actuarially sound rates; 2) enter into a superseding agreement substantially similar to Exhibit III with DHCS which will allow DHS to send increased IGTs to the State pursuant to Welfare and Institutions Code Section 14182.15, added by S.B. 208, to supplement the Medi-Cal managed care payments for services to seniors and persons with disabilities; 3) enter into agreements, substantially similar to Exhibits IV and V, with DHCS which provide for payment of an administrative fee; 4) enter into an amendment substantially similar to Exhibit VI, with L.A. Care, which authorizes it to pay to DHS supplemental rate range related payments of approximately $120.0 million (net of the Managed Care Organization (MCO) and Medi-Cal Managed Care Seller's (MMCS) taxes), funded through an IGT; 5) enter into an amendment substantially similar to Exhibit VII, with Health Net, to pay DHS supplemental rate range payments of

approximately $8.0 million (net of the MCO and MMCS taxes), funded through an IGT; and 6) enter into an amendment with L.A. Care substantially similar to Exhibit VIII which authorizes it to increase the additional supplemental S.B. 208 related managed care payments by approximately $45.8 million. Both L.A. Care and Health Net will be permitted to retain sufficient amounts to pay the MCO and MMCS taxes assessed on all of the IGT funded supplemental payments. Health Net will also be permitted to retain an administrative fee of $100,000.

Starting with the October 1, 2006 service period, the State and federal governments have approved a County-developed program to use IGTs to draw down federal revenues to fund higher rate range related payments under Medi-Cal managed care to DHS facilities. Under this program, which has recently been authorized for FFY 2012-13, L.A. Care and Health Net receive higher capitation rates which are funded by County IGTs. The two health plans will then pass on those additional payments, which include both local and federal matching funds, to the DHS providers.

A similar program was authorized by S.B. 208, although in that case, the additional Medi-Cal payments are used to assure that certain public entities can cover their costs of providing services to seniors and persons with disabilities.

To implement the rate range program for this year, three types of agreements are necessary. The first type of agreement is with DHCS and allows the County to make IGTs which DHCS commits to use to fund higher capitation rates for services to L.A. Care and Health Net enrollees for the period of October 1, 2012 through September 30, 2013. To the extent DHCS does not use all the IGT funds to make supplemental payments to L.A. Care and Health Net, the unused money will be returned to the County.

The second type of agreement is with DHCS and provides for the County to pay DHCS a 20% administrative fee that is assessed on the full amount of the IGT. Welfare & Institutions Code section 14301.4 requires entities wishing to participate in the program to pay the administrative fee.

The third type of agreement is with L.A. Care and Health Net and is necessary to set the terms and conditions under which those entities pass on the IGT-funded supplemental payments they receive to the DHS providers.

Like the rate range IGTs, the program under S.B. 208 requires an agreement between the County and DHCS related to the payment and use of the IGT, and an agreement with L.A. Care to pass on the IGT funded supplemental payments. DHCS does not receive an administrative fee under S.B. 208.

The Centers for Medicare and Medicaid Services (CMS) must approve all Medi-Cal managed care rate increases and review all relevant documentation. Although CMS has approved the template that formed the basis for the draft agreements attached to this letter, it has not given final approval. Accordingly, additional changes may be required by CMS. If in the unlikely event that CMS requires material changes, we shall return to the Board to request a new delegation of authority. Otherwise, we shall notify the Board when the agreements are fully executed.

Implementation of Strategic Plan Goals

The recommended action(s) support Goal 1, Operational Effectiveness/Fiscal Sustainability of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Approval of the recommended actions will allow DHS to make FFY 2012-13 IGT payments to DHCS for L.A. Care of approximately $60.0 million for the rate range program and an additional $22.9 million for the S.B. 208 program and for Health Net of approximately $4.0 million and to receive payments from L.A. Care and Health Net of approximately $165.8 million and $8.0 million, respectively for services provided to Medi-Cal enrollees. In addition, it will allow DHS to pay DHCS the administrative fees of approximately $12.8 million. Both health plans will retain the amounts necessary to pay the MCO and MMCS taxes imposed on the payments made to the health plans. Health Net is permitted to retain an additional administrative fee of $100,000.

The payments received from L.A. Care and Health Net under both the rate range and S.B. 208 programs must be used by the DHS facilities to which they are allocated to pay for health care services; no part of such payments may be distributed to the County's general fund or used by other County entities. Funding for the IGTs and the associated revenues were included in DHS' final closing estimates for Fiscal Year 2013-14.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Since August 19, 2008, the Board has authorized DHS to execute similar agreements with DHCS to make rate range IGTs and have the State make supplemental managed care payments to our contracted health plans, i.e., L.A. Care and Health Net, under the rate range program. Those agreements covered FFY 2006-07 through FFY 2011-12. The agreements require DHS to certify that the transferred funds qualify for federal financial participation, and do not constitute improper "recycling" of Medicaid funds.

In 2010 the Legislature passed S.B. 208, which allows public entities to provide the non-federal share of supplemental payments that are designed to assure that designated public hospitals and their affiliated providers receive the same amount under Medi-Cal managed care for seniors and persons with disabilities as they would under fee for service Medi-Cal. On April 16, 2013, your Board authorized participation and appropriated funding in Fiscal Year 2012-13 for the service period July 1, 2011 through September 30, 2012 and October 1, 2012 through September 30, 2013. On April 22, 2014, your Board authorized the County's participation in this program for the period October 1, 2013 to June 30, 2014, and the necessary appropriation adjustment to fund the IGTs for that period. The superseding agreement and the amendment to the L.A. Care agreement recommended here would increase the amount received by DHS under that program for the October 1, 2012 through September 30, 2013 service period.

The County does not receive managed care payments directly from the State; rather, DHCS contracts with L.A. Care and Health Net, which then subcontract for services with various provider networks, including DHS providers. Accordingly, in order to receive the benefit of the IGT funded payments, DHS must execute amendments to its agreements with L.A. Care and Health Net. Those amendments stipulate that the health plans will pay over to DHS the full amount of the IGT funded supplemental payments they receive, except for Health Net's administrative fee of $100,000 and the amounts necessary to pay the MCO and MMCS taxes imposed on the payments made to both of the health plans.

The amendments contain an indemnification clause requiring DHS to hold L.A. Care and/or Health Net harmless for any losses they incur as a result of the receipt of IGT funded supplemental payments under both the rate range and S.B. 208 programs. Further, as consideration for the

amendment to the agreements, DHS has agreed to continue to keep certain services available. In the case of L.A. Care, it has agreed not to exercise its right to terminate the contract until no earlier than November 1, 2014.

DHCS has imposed a short time frame for the completion of these payments. To meet that time frame and to expedite receipt of these supplemental funds, DHS is requesting delegation of authority from the Board to execute the DHCS, L.A. Care and Health Net agreements and amendments.

CONTRACTING PROCESS

Advertising on the County's Online Website is not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services as a result of this authorization. However, approval of this action will allow DHS to increase federal revenue sources and meet revenue projections included in the DHS Fiscal Outlook.

Respectfully submitted,

Mitchell H. Katz, M.D.
Director

MHK:hr

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

INTERGOVERNMENTAL AGREEMENT REGARDING TRANSFER OF PUBLIC FUNDS

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("DHCS") and the County of Los Angeles, California with respect to the matters set forth below.

RECITALS

A. This Agreement is made pursuant to the authority of Welfare & Institutions Code, section 14164 and 14301.4.

B. The Local Initiative Health Authority for Los Angeles County doing business as L.A. Care Health Plan ("L.A. Care") is a local governmental authority formed pursuant to Welfare and Institutions Code sections 14087.38(b) and 14087.9605. L.A. Care is a party to a Medi-Cal managed care contract with DHCS, entered into pursuant to Welfare and Institutions Code section 14087.3, under which L.A. Care arranges and pays for the provision of covered Medi-Cal health care services to eligible Medi-Cal members residing in the County.

THEREFORE, the parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The County of Los Angeles shall transfer funds to DHCS pursuant to sections 14164 and 14301.4 of the Welfare and Institutions Code, up to a maximum total amount of Sixty Million Dollars ($60,000,000), to be used solely as a portion of the nonfederal share of actuarially sound Medi-Cal managed care capitation rate increases for L.A. Care for the period October 1, 2012 through September 30, 2013 as described in section 2.2 below. The funds shall be transferred in accordance with

a mutually agreed upon schedule between the County of Los Angeles and DHCS, in the amounts specified therein.

1.2 The County of Los Angeles shall certify that the funds transferred qualify for federal financial participation pursuant to 42 C.F.R. part 433 subpart B, and are not derived from impermissible sources such as recycled Medicaid payments, federal money excluded from use as State match, impermissible taxes, and non-bona fide provider-related donations. For transferring units of government that are also direct service providers, impermissible sources do not include patient care or other revenue received from programs such as Medicare or Medicaid to the extent that the program revenue is not obligated to the State as the source of funding.

2. Acceptance and Use of Transferred Funds by DHCS

2.1 DHCS shall exercise its authority under section 14164 of the Welfare and Institutions Code to accept funds transferred by the County of Los Angeles pursuant to this Agreement as intergovernmental transfers ("IGTs"), to use for the purpose set forth in section 2.2 below.

2.2 The funds transferred by the County of Los Angeles pursuant to this Agreement shall be used to fund a portion of the nonfederal share of increases in Medi-Cal managed care actuarially sound capitation rates described in paragraph (4) of subdivision (b) of section 14301.4 of the Welfare and Institutions Code and shall be paid, together with the related federal financial participation, by DHCS to L.A. Care as part of L.A. Care's capitation rates for the period October 1, 2012 through September 30, 2013. The rate increases paid under section 2.2 shall be used for payments related to Medi-Cal services rendered to Medi-Cal beneficiaries. The rate increases paid under this section 2.2 shall be in addition to, and shall not replace or supplant, all other amounts paid or payable by DHCS or other State agencies to L.A. Care.

2.3 DHCS shall seek federal financial participation for the rate increases specified in section 2.2 to the full extent permitted by federal law.

2.4 The parties acknowledge the State DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services prior to the payment of any rate increase pursuant to section 2.2.

2.5 The parties agree that none of these funds, either County of Los Angeles or federal matching funds will be recycled back to the County of Los Angeles' general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement and their provider agreement constitute patient care revenues.

2.6 Within One Hundred Twenty (120) calendar days of the execution of this Agreement, DHCS shall advise the County of Los Angeles and L.A. Care of the amount of the Medi-Cal managed care capitation rate increases that DHCS paid to L.A. Care during the applicable rate year involving any funding under the terms of this Agreement.

2.7 If any portion of the funds transferred by the County of Los Angeles pursuant to this Agreement is not expended for the specified rate increases under Section 2.2, DHCS shall return the unexpended funds to the County of Los Angeles.

3. Amendments

3.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties.

3.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in section 2 of this Agreement.

4. Notices. Any and all notices required, permitted or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or by United

States first class, certified or registered mail with postage prepaid, addressed to the other party at the address set forth below:

To the County of Los Angeles:

Allan Wecker
Chief Financial Officer
County of Los Angeles
313 N. Figueroa Street, Suite 907
Los Angeles, CA 90012

With copies to:

Anita D. Lee
Principal Deputy County Counsel
Office of the County Counsel
500 W. Temple Street
Los Angeles, CA 90012

To DHCS:

Sandra Dixon
California Department of Health Care Services
Capitated Rates Development Division
1501 Capitol Ave., Suite 71-4002
MS 4413
Sacramento, CA 95814

5. Other Provisions

5.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal rate increases for L.A. Care described in section 2.2 that are funded by the County of Los Angeles and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the County of Los Angeles and DHCS. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements already exist

between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

5.2 The nonenforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.

5.3 Section 2 of this Agreement shall survive the expiration or termination of this Agreement.

5.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals; accordingly, there shall be no third party beneficiary of this Agreement.

5.5 Time is of the essence in this Agreement.

5.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

6. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify the DHCS' powers, authorities, and duties under federal and state law and regulations.

7. Approval. This Agreement is of no force and effect until signed by the parties.

8. Term. This Agreement shall be effective as of October 1, 2012 and shall expire as of September 30, 2015 unless terminated earlier by mutual agreement of the parties.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

THE COUNTY OF LOS ANGELES:

By: _____ Date: _____

Mitchell H. Katz, M.D.
Director, Department of Health Services

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: _____ Date: _____

Meredith Wurden, Acting Assistant Deputy Director, Health Care Financing

INTERGOVERNMENTAL AGREEMENT REGARDING TRANSFER OF PUBLIC FUNDS

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("DHCS") and the County of Los Angeles, California with respect to the matters set forth below.

RECITALS

A. This Agreement is made pursuant to the authority of Welfare & Institutions Code, section 14164 and 14301.4.

B. Health Net of California, Inc. ("Health Net") is a health plan licensed pursuant to Health and Safety Code section 1379 plan. Health Net is a party to a Medi-Cal managed care contract with DHCS, entered into pursuant to Welfare and Institutions Code section 14087.3, under which Health Net arranges and pays for the provision of covered Medi-Cal health care services to eligible Medi-Cal members residing in the County.

THEREFORE, the parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The County of Los Angeles shall transfer funds to DHCS pursuant to sections 14164 and 14301.4 of the Welfare and Institutions Code, up to a maximum total amount of Four Million Dollars ($4,000,000), to be used solely as a portion of the nonfederal share of actuarially sound Medi-Cal managed care capitation rate increases for Health Net for the period October 1, 2012 through September 30, 2013 as described in section 2.2 below. The funds shall be transferred in accordance with

a mutually agreed upon schedule between the County of Los Angeles and DHCS, in the amounts specified therein.

1.2 The County of Los Angeles shall certify that the funds transferred qualify for federal financial participation pursuant to 42 C.F.R. part 433 subpart B, and are not derived from impermissible sources such as recycled Medicaid payments, federal money excluded from use as State match, impermissible taxes, and non-bona fide provider-related donations. For transferring units of government that are also direct service providers, impermissible sources do not include patient care or other revenue received from programs such as Medicare or Medicaid to the extent that the program revenue is not obligated to the State as the source of funding.

2. Acceptance and Use of Transferred Funds by DHCS

2.1 DHCS shall exercise its authority under section 14164 of the Welfare and Institutions Code to accept funds transferred by the County of Los Angeles pursuant to this Agreement as intergovernmental transfers ("IGTs"), to use for the purpose set forth in section 2.2 below.

2.2 The funds transferred by the County of Los Angeles pursuant to this Agreement shall be used to fund a portion of the nonfederal share of increases in Medi-Cal managed care actuarially sound capitation rates described in paragraph (4) of subdivision (b) of section 14301.4 of the Welfare and Institutions Code and shall be paid, together with the related federal financial participation, by DHCS to Health Net as part of Health Net's capitation rates for the period October 1, 2012 through September 30, 2013. The rate increases paid under section 2.2 shall be used for payments related to Medi-Cal services rendered to Medi-Cal beneficiaries. The rate increases paid under this section 2.2 shall be in addition to, and shall not replace or supplant, all other amounts paid or payable by DHCS or other State agencies to Health Net.

2.3 DHCS shall seek federal financial participation for the rate increases specified in section 2.2 to the full extent permitted by federal law.

2.4 The parties acknowledge the State DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services prior to the payment of any rate increase pursuant to section 2.2.

2.5 The parties agree that none of these funds, either County of Los Angeles or federal matching funds will be recycled back to the County of Los Angeles' general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement and their provider agreement constitute patient care revenues.

2.6 Within One Hundred Twenty (120) calendar days of the execution of this Agreement, DHCS shall advise the County of Los Angeles and Health Net of the amount of the Medi-Cal managed care capitation rate increases that DHCS paid to Health Net during the applicable rate year involving any funding under the terms of this Agreement.

2.7 If any portion of the funds transferred by the County of Los Angeles pursuant to this Agreement is not expended for the specified rate increases under Section 2.2, DHCS shall return the unexpended funds to the County of Los Angeles.

3. Amendments

3.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties.

3.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in section 2 of this Agreement.

4. Notices. Any and all notices required, permitted or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or by United

States first class, certified or registered mail with postage prepaid, addressed to the other party at the address set forth below:

To the County of Los Angeles:

Allan Wecker
Chief Financial Officer
County of Los Angeles
313 N. Figueroa Street, Suite 907
Los Angeles, CA 90012

With copies to:

Anita D. Lee
Principal Deputy County Counsel
Office of the County Counsel
500 W. Temple Street
Los Angeles, CA 90012

To DHCS:

Sandra Dixon
California Department of Health Care Services
Capitated Rates Development Division
1501 Capitol Ave., Suite 71-4002
MS 4413
Sacramento, CA 95814

5. Other Provisions

5.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal rate increases for Health Net described in section 2.2 and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the County of Los Angeles and DHCS. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements already exist between the parties regarding such other matters,

and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

5.2 The nonenforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.

5.3 Section 2 of this Agreement shall survive the expiration or termination of this Agreement.

5.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals; accordingly, there shall be no third party beneficiary of this Agreement.

5.5 Time is of the essence in this Agreement.

5.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

6. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify the DHCS' powers, authorities, and duties under federal and state law and regulations.

7. Approval. This Agreement is of no force and effect until signed by the parties.

8. Term. This Agreement shall be effective as of October 1, 2012 and shall expire as of September 30, 2015 unless terminated earlier by mutual agreement of the parties.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

THE COUNTY OF LOS ANGELES:

By: _____ Date: _____

Mitchell H. Katz, M.D.
Director, Department of Health Services

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: _____ Date: _____

Meredith Wurden, Acting Assistant Deputy Director, Health Care Financing

INTERGOVERNMENTAL AGREEMENT REGARDING TRANSFER OF PUBLIC FUNDS

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("DHCS") and the COUNTY OF LOS ANGELES (the "Governmental Funding Entity") with respect to the matters set forth below.

RECITALS

A. This Agreement is made pursuant to the authority of Section 14182.15 of Chapter 7 of Part 3 of Division 9 of the Welfare & Institutions Code.

B. The Local Initiative Health Authority of Los Angeles County doing business as L.A. Care Health Plan ("L.A. Care") is a local governmental authority formed pursuant to Welfare and Institutions Code Sections 14087.38(b) and 14087.90605. Health Net Community Solutions, Inc. ("Health Net") is a health plan licensed pursuant to Health and Safety Code Section 1379. L.A. Care and Health Net are parties to a Medi-Cal managed care contract with DHCS, entered into pursuant to Welfare and Institutions Code Section 14087.3, under which L.A. Care and Health Net arrange and pay for the provision of covered Medi-Cal health care services to eligible Medi-Cal members residing in the County.

THEREFORE, the parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The Governmental Funding Entity shall transfer funds to DHCS pursuant to Section 14182.15 of the Welfare and Institutions Code, up to a maximum total amount of Eighty One Million, Four Hundred Twenty Three Thousand, and Four Hundred Twelve dollars ($81,423,412), to be used solely as a portion of the nonfederal share of actuarially sound Medi-Cal managed care capitation rates for L.A. Care and Health Net for the period October 1, 2012

through September 30, 2013 as described in paragraph 2.2 below. The funds shall be transferred in accordance with a mutually agreed upon schedule between the Governmental Funding Entity and DHCS, in the amounts and components specified therein.

1.2 The Governmental Funding Entity shall certify that the funds transferred qualify for federal financial participation pursuant to 42 C.F.R. part 433 subpart B, and are not derived from impermissible sources such as recycled Medicaid payments, federal money excluded from use as State match, impermissible taxes, and non-bona fide provider-related donations. For transferring units of government that are also direct service providers, impermissible sources do not include patient care or other revenue received from programs such as Medicare or Medicaid to the extent that the program revenue is not obligated to the State as the source of funding.

2. Acceptance and Use of Transferred Funds by DHCS

2.1 DHCS shall exercise its authority under Section 14182.15 of the Welfare and Institutions Code to accept funds transferred by the Governmental Funding Entity pursuant to this Agreement as intergovernmental transfers (IGTs), to use for the purpose set forth in paragraph 2.2 below.

2.2 The funds transferred by the Governmental Funding Entity pursuant to this Agreement shall be used to fund a portion of the nonfederal share of Medi-Cal managed care actuarially sound capitation rates described in subdivision (b) and (c) of Section 14182.15 of the Welfare and Institutions Code and shall be paid, together with the related federal financial participation, by DHCS to L.A. Care and to Health Net as part of L.A. Care's and Health Net's individual capitation rates for the period October 1, 2012 through September 30, 2013. To the extent that DHCS has made and documented such expenditures, or portion thereof, prior to the

necessary funds being transferred by the Governmental Funding Entity, the appropriate amount of subsequently transferred funds shall be deemed to have been used in accordance with the requirements of this paragraph 2.2. The capitation rate amounts paid under this paragraph shall be used for payments related to Medi-Cal services rendered to Medi-Cal beneficiaries. The rate amounts paid under this paragraph shall be in addition to, and shall not replace or supplant, all other amounts paid or payable by DHCS or other State agencies to either L.A. Care or Health Net.

2.3 DHCS shall seek federal financial participation for the rate amounts specified in paragraph 2.2 to the full extent permitted by federal law.

2.4 The parties acknowledge that State DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services (CMS) prior to the payment of any rate amounts pursuant to paragraph 2.2.

2.5 The parties agree that none of these funds, from either Governmental Funding Entity or federal matching funds will be recycled back to the Governmental Funding Entity's general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement and their provider agreement constitute patient care revenues.

2.6 Within One Hundred Twenty (120) calendar days of the execution of this Agreement, and every quarter as applicable thereafter, DHCS shall advise the Governmental Funding Entity and L.A. Care and Health Net of the amount of the Medi-Cal managed care capitation rate amounts that DHCS paid to L.A. Care and Health Net, respectively during the applicable rate period specified in paragraph 2.2 involving any funding under the terms of this Agreement.

2.7 If any portion of the funds transferred by the Governmental Funding Entity pursuant to this Agreement is not expended by DHCS for the specified rate amounts under paragraph 2.2, DHCS shall return the unexpended funds to the Governmental Funding Entity.

3. Amendments

3.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties.

3.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in paragraph 2 of this Agreement.

4. Notices. Any and all notices required, permitted or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or by United States first class, certified or registered mail with postage prepaid, addressed to the other party at the address set forth below:

To the Governmental Funding Entity:

Allan Wecker, Chief Financial Officer
County of Los Angeles
Department of Health Services
313 North Figueroa Street, Room 907
Los Angeles, California 90012

With copies to:

Anita D. Lee, Principal Deputy County Counsel
County of Los Angeles
Office of the County Counsel
648 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

To DHCS:

Sandra Dixon
California Department of Health Care Services
Capitated Rates Development Division
1501 Capitol Ave., Suite 71-4002

P.O. Box 997413
MS 4413
Sacramento, CA 95899-7413

5. Other Provisions

5.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal rate amounts for L.A. Care and Health Net described in paragraph 2.2 that are funded by the Governmental Funding Entity pursuant to paragraph (2) of subdivision (d) of Section 14182.15 of the Welfare and Institutions Code, and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements regarding such transferred funds between the Governmental Funding Entity and DHCS. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements already exist between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

5.2 The non-enforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.

5.3 Paragraph 2 of this Agreement shall survive the expiration or termination of this Agreement.

5.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals; accordingly, there shall be no third party beneficiary of this Agreement.

5.5 Time is of the essence in this Agreement.

5.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

6. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify the DHCS' powers, authorities, and duties under federal and state law and regulations.

7. Approval. This Agreement is of no force and effect until signed by the parties.

8. Term. This Agreement shall be effective as of October 1, 2012 and shall expire as of September 30, 2015 unless terminated earlier by mutual agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

THE COUNTY OF LOS ANGELES

By: _____ Date: _____

Mitchell H. Katz, M.D., Director
Department of Health Services

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: _____ Date: _____

Meredith Wurden, Acting Assistant Deputy Director, Health Care Financing

INTERGOVERNMENTAL TRANSFER ASSESSMENT FEE

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("State DHCS") and the County of Los Angeles, California ("the County") with respect to the matters set forth below.

RECITALS

A. This Agreement is made pursuant to the authority of Welfare & Institutions Code, section 14301.4.

THEREFORE, the parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The County shall make Intergovernmental Transfer(s) ("IGTs") to State DHCS pursuant to sections 14164 and 14301.4 of the Welfare and Institutions Code and paragraph 1.1 of the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds contract number12-89597, to be used as a portion of the non-federal share of actuarially sound Medi-Cal managed care rate range capitation increases ("non-federal share IGT") to the Local Initiative Health Authority for Los Angeles County, doing business as L.A. Care Health Plan ("L.A. Care") for the period of October 1, 2012 through September 30, 2013.

1.2 The parties acknowledge that State DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services ("CMS") pertaining to the acceptance of non-federal share IGTs, and the payment of non-federal share IGT related rate range capitation increases to L.A. Care.

2. Intergovernmental Transfer Assessment Fee

2.1 The State DHCS shall, upon acceptance of non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement, exercise its authority under section 14301.4 of the Welfare and Institutions Code to assess a 20-percent assessment fee on the entire amount of the non-federal share IGTs to reimburse State DHCS for the administrative costs of operating the IGT program pursuant to this section and for the support of the Medi-Cal program.

2.2 The funds subject to the 20-percent assessment fee shall be limited to non-federal share IGTs made by the transferring entity, the County, pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement.

2.3 The 20-percent fee will be assessed on the entire amount of the non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in Paragraph 1, and will be made in addition to, and transferred separately from, the transfer of funds pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds.

2.4 The 20-percent assessment fee pursuant to this Agreement is non-refundable and shall be wired to State DHCS separately from, and simultaneous to, the non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement. However, if any portion of the non-federal share IGTs is not expended for the specified rate increases stated in paragraph 2.2 of the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, DHCS shall return a proportionate amount of the 20-percent assessment fee to the County.

3. Other Provisions

3.1 This Agreement contains the entire Agreement between the parties with respect to the 20-percent assessment fee on non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1, and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the transferring entity and State DHCS. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements may exist between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

3.2 Time is of the essence in this Agreement.

3.3 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

4. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify State DHCS' powers, authorities, and duties under federal and state law and regulations.

5. Approval. This Agreement is of no force and effect until signed by the parties.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

THE COUNTY OF LOS ANGELES:

By: _____ Date: _____

Mitchell H. Katz, M.D.
Director, Department of Health Services

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: _____ Date: _____

Meredith Wurden, Acting Assistant Deputy Director, Health Care Financing

EXHIBIT V

INTERGOVERNMENTAL TRANSFER ASSESSMENT FEE

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("State DHCS") and the County of Los Angeles, California ("the County") with respect to the matters set forth below.

RECITALS

A. This Agreement is made pursuant to the authority of Welfare & Institutions Code, section 14301.4.

THEREFORE, the parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The County of Los Angeles shall make Intergovernmental Transfer(s) ("IGTs") to State DHCS pursuant to sections 14164 and 14301.4 of the Welfare and Institutions Code and paragraph 1.1 of the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds contract 12-89599, to be used as a portion of the non-federal share of actuarially sound Medi-Cal managed care rate range capitation increases ("non-federal share IGT") to Health Net of California, Inc. for the period of October 1, 2012 through September 30, 2013.

1.2 The parties acknowledge that State DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services ("CMS") pertaining to the acceptance of non-federal share IGTs, and the payment of non-federal share IGT related rate range capitation increases to Health Net of California, Inc.

2. Intergovernmental Transfer Assessment Fee

2.1 The State DHCS shall, upon acceptance of non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement, exercise its authority under section 14301.4 of the Welfare and Institutions Code to assess a 20-percent assessment fee on the entire amount of the non-federal share IGTs to reimburse State DHCS for the administrative costs of operating the IGT program pursuant to this section and for the support of the Medi-Cal program.

2.2 The funds subject to the 20-percent assessment fee shall be limited to non-federal share IGTs made by the transferring entity, County of Los Angeles, pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement.

2.3 The 20-percent fee will be assessed on the entire amount of the non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement, and will be made in addition to, and transferred separately from, the transfer of funds pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds.

2.4 The 20-percent assessment fee pursuant to this Agreement is non-refundable and shall be wired to State DHCS separately from, and simultaneous to, the non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement. However, if any portion of the non-federal share IGTs is not expended for the specified rate increases stated in paragraph 2.2 of the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, DHCS shall return a proportionate amount of the 20-percent assessment fee to the County of Los Angeles.

3. Other Provisions

3.1 This Agreement contains the entire Agreement between the parties with respect to the 20-percent assessment fee on non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1, and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the transferring entity and State DHCS. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements may exist between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

3.2 Time is of the essence in this Agreement.

3.3 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

4. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify State DHCS' powers, authorities, and duties under federal and state law and regulations.

5. Approval. This Agreement is of no force and effect until signed by the parties.

EXHIBIT V

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

THE COUNTY OF LOS ANGELES:

By: _____ Date: _____

Mitchell H. Katz, M.D
Director, Department of Health Services

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: _____ Date: _____

Meredith Wurden, Acting Assistant Deputy Director, Health Care Financing

HEALTH PLAN-PROVIDER AGREEMENT

CAPITATION AGREEMENT FOR THE PROVISION OF HEALTH CARE SERVICES BY COUNTY

AMENDMENT No. 11

This Amendment is made this ___ day of _____{month/year}, by and between the Local Initiative Health Authority for Los Angeles County, doing business as L.A. Care Health Plan, a local governmental agency hereinafter referred to as "PLAN", and the COUNTY OF LOS ANGELES, through its DEPARTMENT OF HEALTH SERVICES, hereinafter referred to as "PROVIDER".

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into an Agreement effective May 1, 2011;

WHEREAS, Section 6.2 of such Agreement provides for amending such Agreement;

WHEREAS, PLAN has been designated as Los Angeles County's locally created health care service plan by the Los Angeles County Board of Supervisors. It is a public entity created pursuant to Welfare and Institutions Code Sections 14087.38(b) and 14087.9605 and Los Angeles County resolution and ordinance. PLAN is licensed by the Department of Managed Health Care as a health care service plan under the California Knox Keene Act (Health and Safety Code Sections 1340 et seq.). In the body of the Agreement, PLAN is known as "Health plan;" however, for purposes of this Amendment, it shall be designated as PLAN.

WHEREAS, PROVIDER operates licensed general acute care hospitals which provide care to Medi-Cal beneficiaries and other residents of Los Angeles County. Depending on context, the word "PROVIDER", as used in this document, may refer to the facilities owned and operated by the County. As noted above, PROVIDER and PLAN had entered into an Agreement under which PROVIDER arranges for the provision of services to certain Medi-Cal managed care enrollees.

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for Medi-Cal managed care capitation rate increases to PLAN as a result of intergovernmental transfers (“IGTs”) from the County of Los Angeles to the California Department of Health Care Services (“State DHCS”) to maintain the availability of Medi-Cal health care services to Medi-Cal beneficiaries.

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

IGT MEDI-CAL MANAGED CARE CAPITATION RATE RANGE INCREASES

1. IGT Capitation Rate Range Increases to PLAN

A. Payment

Should PLAN receive any Medi-Cal managed care capitation rate increases from State DHCS where the nonfederal share is funded by the County of Los Angeles specifically pursuant to the provisions of the Intergovernmental Agreement Regarding Transfer of Public Funds ("Intergovernmental Agreement") effective for the period October 1, 2012 through September 30, 2013 for Intergovernmental Transfer Medi-Cal Managed Care Rate Range Increases ("IGT MMCRRIs"), PLAN shall pay to PROVIDER the amount of the IGT MMCRRIs received from State DHCS, in accordance with paragraph 1.E below regarding the form and timing of Local Medi-Cal Managed Care Rate Range ("LMMCRR") IGT Payments. LMMCRR IGT Payments paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

B. Health Plan Retention

(1) Managed Care Organizations Tax

The PLAN shall be responsible for any Managed Care Organization ("MCO") tax due pursuant to the Revenue and Taxation Code Section 12201 relating to any IGT MMCRRIs through June 30, 2013. If the PLAN receives any capitation rate increases for MCO taxes based on the IGT MMCRRIs, PLAN may retain an amount equal to the amount of such MCO tax that PLAN is required to pay to the State DHCS, and shall pay, as part of the LMMCRR IGT Payments, the remaining amount of the capitation rate increase to PROVIDER.

(2) Medi-Cal Managed Care Seller's Tax

(3) The PLAN shall be responsible for any Medi-Cal Managed Care Seller's ("MMCS") tax due pursuant to the Revenue and Taxation Code Section 6175 relating to any IGT MMCRRIs through September 30, 2013. If the PLAN receives any capitation rate increases for MMCS taxes based on the IGT MMCRRIs, PLAN may retain an amount equal to the amount of such MMCS tax that PLAN is required to pay to the State DHCS, and shall pay, as part of the LMMCRR IGT Payments, the remaining amount of the capitation rate increase to PROVIDER.PLAN will not retain any other portion of the IGT MMCRRIs received from the State DHCS other than those mentioned above.

C. Conditions for Receiving Local Medi-Cal Managed Care Rate Range IGT Payments

In addition to all other rights and obligations imposed on PROVIDER by the Agreement, the parties agree that as a condition for receiving LMMCRR IGT Payments, PROVIDER shall:

(1) Not exercise its rights to terminate the Hospital Services Agreement or the Participating Provider Agreement which currently exist between the parties and call for the provision of health care services by County of Los Angeles facilities to PLAN's Medi-Cal enrollees, prior to December 31, 2014.

(2) Subject to the requirements in paragraph 1.F below, PROVIDER agrees to assign the funds received pursuant to this Agreement among the services set forth below in accordance with the proportions or amounts set by PLAN. These proportions or amounts will be determined by PLAN to represent a reasonable allocation of funds among the rendering providers. The service categories are:

(a) Inpatient and Outpatient Facility Services
(b) Physician/Practitioner Services
(c) Freestanding Clinic Facility Services

(3) PROVIDER and PLAN agree that they shall perform all obligations and honor all rights under this Agreement until they are fully performed or utilized, irrespective of the Section 2 below.

D. Schedule and Notice of Transfer of Non-Federal Funds

PROVIDER shall notify PLAN within five (5) days of the date of the transfer of funds to State DHCS pursuant to the Intergovernmental Agreement.

E. Form and Timing of Payments

PLAN agrees to pay LMMCRR IGT Payments to PROVIDER in the following form and according to the following schedule:

(1) PLAN agrees to pay the LMMCRR IGT Payments to PROVIDER using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer).

(2) PLAN will pay the LMMCRR IGT Payments to PROVIDER no later than thirty (30) calendar days after receipt of the IGT MMCRRIs from State DHCS.

F. Consideration

(1) As consideration for the LMMCRR IGT Payments, PROVIDER shall use the LMMCRR IGT Payments for the following purposes and shall treat the LMMCRR IGT Payments in the following manner:

(a) The LMMCRR IGT Payments shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER during the State fiscal year to which the LMMCRR IGT Payments apply.

(b) To the extent that total payments received by PROVIDER for any State fiscal year under this Amendment exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining LMMCRR IGT Payment amounts shall be retained by PROVIDER to be expended for health care services. Retained LMMCRR IGT Payment amounts may be used by the PROVIDER in either the State fiscal year received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the LMMCRR IGT Payments are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on LMMCRR IGT Payments funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of LMMCRR IGT Payments received, but not used. These retained PROVIDER funds may be commingled with other County of Los Angeles funds for cash management purposes provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either from the County of Los Angeles or federal matching funds will be recycled back to the County of Los Angeles general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Amendment constitute patient care revenues.

G. PLAN's Oversight Responsibilities

PLAN's oversight responsibilities regarding PROVIDER's use of the LMMCRR IGT Payments shall be limited as described in this paragraph. PLAN shall request, within thirty (30) calendar days after the end of each State fiscal year in which LMMCRR IGT Payments were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph 1.F above. In each instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

H. Cooperation Among Parties

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the LMMCRR IGT Payments, PROVIDER and PLAN agree to work together in all respects to support and preserve the LMMCRR IGT Payments to the full extent possible on behalf of the safety net in Los Angeles County.

I. Reconciliation

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which LMMCRR IGT Payments were made to PROVIDER, PLAN shall perform a reconciliation of the LMMCRR IGT Payments transmitted to the PROVIDER during the preceding fiscal year to ensure that the supporting amount of IGT MMCRRIs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of LMMCRR IGT Payments made in error to PROVIDER within thirty (30) calendar days after receipt from PLAN [or Health Plan] of a written notice of the overpayment error, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Section 6.3.1 of the Agreement. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth below. PLAN agrees to transmit to the PROVIDER any underpayment of LMMCRR IGT Payments within thirty (30) calendar days of PLAN's identification of such underpayment.

J. Indemnification

(1) PROVIDER shall indemnify and hold PLAN harmless against any losses, claims, demands, liabilities, court costs, judgments and expenses, imposed by a court or otherwise incurred by PLAN after the execution date of this Amendment as a result of PLAN's receipt of IGT MMCRRIs or payment of LMMCRR IGT Payments, including but not limited to the following circumstances:

(a) In the event that State DHCS, the Department of Health and Human Services or any other federal or state agency recoups, offsets, or otherwise withholds any monies from or fails to provide any monies to PLAN, or PLAN is denied any monies to which it otherwise would have been entitled, for any reason relating to the Medi-Cal managed care capitation rate range increases arising from the Intergovernmental Agreement as such increases flow through the Medi-Cal Agreement between PLAN and the State and this Agreement, including but not limited to (i) State DHCS' use of IGT MMCRRIs or LMMCRR IGT Payments to supplant or replace other amount in violation of the restrictions in Section 2.2 of the Intergovernmental Agreement; (ii) the failure of the IGT MMCRRIs to qualify in whole or part for federal participation pursuant to 42 C.F.R. part 433, subpart B; or (iii) overpayment of IGT MMCRRIs to PLAN by State DHCS, PLAN shall have a right to immediately recoup, offset or withhold any and all such amounts from payments otherwise due to PROVIDER. Recovery by PLAN pursuant to this section shall include, but not be limited to, reduction in future LMMCRR IGT Payments paid to PROVIDER in an amount equal to the amount of IGT MMCRRIs payments recovered from PLAN, or by reduction of any other amounts owed by PLAN to PROVIDER whether under this Agreement or any other agreements between the parties;

(b) PLAN shall pursue an appeal, a lawsuit, or any other available legal action to challenge any recoupment by State DHCS, the Department of Health and Human Services, or any other federal or state agency, that is not required by law, unless after consultation with PROVIDER and with good cause, PLAN determines that it is not in the best interest of PLAN and/or PROVIDER to do so;

(2) At PLAN's discretion, PROVIDER shall either provide or arrange for legal representation on PLAN's behalf or PLAN shall arrange for its own representation and be entitled to reasonable attorney's fees and costs from PROVIDER for such representation, in addition to any and all other relief to which PLAN may be entitled, including, but not limited to, the following circumstances:

(a) If any action at law, suit in equity, arbitration, or administrative action is brought against PLAN by State DHCS, the Department of Health and Human Services, any other federal or state agency or other individual or organization to: (i) enforce or interpret the IGT MMCRRIs or LMMCRR IGT Payments; or (ii) recoup, offset, or otherwise withhold any monies from PLAN relating to the IGT MMCRRIs or LMMCRR IGT Payments; or

(b) If PLAN brings any appeal, action at law, suit in equity, arbitration or administrative action against the State DHCS, the Department of Health and Human Services or any other federal or state agency to (i) enforce or interpret the IGT MMCRRIs or LMMCRR IGT

Payments; or (ii) in response to an action described in subparagraph (1)(a) or subparagraph (2)(a) above:

(3) If PLAN prevails in any appeal, action at law, suit in equity, arbitration, or administrative action against PROVIDER to enforce or interpret the IGT MMCRRIs or LMMCRR IGT Payments or to recoup, offset, or otherwise withhold any monies relating to the IGT MMCRRIs or LMMCRR IGT Payments, PLAN shall be entitled to reasonable attorney's fees and costs from PROVIDER; and

(4) In the event that PLAN believes that it is subject to any losses, claims, demands, liabilities, court costs, judgments or obligations to third parties which arise before the execution of this Agreement as a direct result of the parties' intention to enter into this Agreement or the terms of this Agreement, PLAN shall promptly notify PROVIDER of such belief. The parties will then negotiate, in good faith, the extent to which PROVIDER will provide indemnification. It is the parties' intention that PLAN not be substantially economically harmed as a result of its willingness to enter into this Agreement.

2. Term

The term of this Amendment shall commence on October 1, 2012 and shall terminate on December 31, 2015.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

SIGNATURES

LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY, dba L.A. CARE HEALTH PLAN:

By: _____ Date: _____

Howard A. Kahn
Chief Executive Officer

COUNTY OF LOS ANGELES:

By: _____ Date: _____

Mitchell H. Katz, M.D.
Director, Department of Health Services

HEALTH PLAN-PROVIDER AGREEMENT

DHS HOSPITAL SERVICES AGREEMENT FOR MEDI-CAL

AMENDMENT No. 12

This Amendment is made this ___ day of _____, by and between the Local Initiative Health Authority for Los Angeles County, doing business as L.A. Care Health Plan, a local government agency hereinafter referred to as "PLAN", and County of Los Angeles Department of Health Services on behalf of its owned and operated hospitals, hereinafter referred to as "PROVIDER".

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into an Agreement effective May 1, 2011;

WHEREAS, Section 6.2 of such Agreement provides for amending such Agreement;

WHEREAS, PLAN has been designated as Los Angeles County's locally created health care service plan by the Los Angeles County Board of Supervisors. It is a public entity, created pursuant to Welfare and Institutions Code Sections 14087.38(b) and 14087.9605 and Los Angeles County resolution and ordinance. PLAN is licensed by the Department of Managed Health Care as a health care service plan under the California KnoxKeene Act (Health and Safety Code Sections 1340 et seq.). In the body of the Agreement, PLAN is known as "Healthplan;" however, for purposes of this amendment it shall be designated as described above.

WHEREAS, PROVIDER operates licensed general acute care hospitals which provide care to Medi-Cal beneficiaries and other residents of Los Angeles County. In the body of the Agreement, Provider is referred to as "DHS"; however, for purposes of this amendment, it shall be designated as described above. Further, for purposes sections 1.F of this amendment, PROVIDER shall refer to the hospitals owned by Provider.

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for base rate increases to PROVIDER which are in addition to amounts previously authorized with respect to services for Medi-Cal SPD enrollees of PLAN as a result of Medi-Cal managed care capitation rate amounts to PLAN funded in part by intergovernmental transfers ("IGTs"), pursuant to Section 14182.15 of the Welfare and Institutions Code, from the County of Los Angeles to the California Department of Health Care Services ("State DHCS") to help assure the availability of Medi-Cal health care services to Medi-Cal beneficiaries, including seniors and persons with disabilities ("SPD").

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

Section 8 of the Agreement is amended to read as follows:

8. SPD MEDI-CAL MANAGED CARE BASE RATE INCREASES

1. SPD Base Rate Increases to PROVIDER

A. Payment

Pursuant to subdivision (c) of Section 14182.15 of the Welfare and Institutions Code, should PLAN receive any SPD Medi-Cal Managed Care Rate Payments ("SPD MMCR Payments") from State DHCS, the nonfederal share of which is funded in any part by the PROVIDER specifically pursuant to the Intergovernmental Agreement Regarding Transfer of Public Funds, # 11-88465 A-01 or any amendment thereto ("Intergovernmental Agreement") effective for the period October 1, 2012 through September 30, 2013, all of the provisions below shall apply.

(1) PLAN shall pay to PROVIDER, for services provided during the term of this Amendment, the rates for services set forth in Exhibit D and all of its subparts of this Agreement, which shall be no less than the rates in effect as of July 1, 2011, and based on final rates actually received by Plan from DHCS.

(2) PLAN shall pay to PROVIDER as "SPD Base Rate Increase Payments," a maximum amount of One Hundred Twenty-seven Million, Five Hundred Thirteen Thousand, Six Hundred Sixteen Dollars ($127,513,616) from the SPD MMCR Payments (net of the Health Plan Retention described in paragraph 1.B(1) received from State DHCS), in accordance with paragraph 1.E below regarding the form and timing of Payments for services provided by the PROVIDER to Medi-Cal beneficiaries. Notwithstanding the DOFR applicable to this Agreement, and subject to the requirements in paragraph 1.F below, PROVIDER agrees to assign the funds received pursuant to this Amendment among the services set forth below in accordance with the proportions or amounts set by PLAN. These proportions or amounts will be determined by PLAN to represent a reasonable allocation of funds among the rendering providers. The service categories are:

(a) Inpatient and Outpatient Facility Services
(b) Physician/Practitioner Services
(c) Freestanding Clinic Facility Services

Notwithstanding the foregoing, payments to PROVIDER and other providers by PLAN from SPD MMCR Payments (net of Health Plan Retention) for the relevant period shall be adjusted as appropriate to ensure that all such SPD MMCR Payments received by PLAN are distributed, and in no case shall exceed the total amount of SPD MMCR Payments. PLAN payments shall be based on actual SPD MMCR Payments included in the PLAN's monthly capitation payment or a lump-sum payment received from DHCS. SPD Base Rate Increase Payments paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

B. Health Plan Retention

(1) Managed Care Organizations Tax

The PLAN shall be responsible for any Managed Care Organization ("MCO") tax due pursuant to the Revenue and Taxation Code Section 12201 and Medi-Cal Managed Care Seller's (MMCS) tax due pursuant to the Revenue and Taxation Code Section 6175 relating to any SPD MMCR Payments related to the period ending September 30, 2013. If the PLAN receives any capitation rate increases described in paragraph (2) of subdivision (c) of Section 14182.15 of the Welfare and Institutions Code for which MCO/MMCS taxes apply based on the SPD MMCR Payments, PLAN may retain an amount equal to the amount of such MCO/MMCS tax that PLAN is required to pay to the State, and shall pay PROVIDER the SPD Base Rate Increase Payments (net of Health Plan Retention) from the remaining amount of the capitation rate increases as specified in paragraph 1.A consistent with Section 14182.15.

(2) PLAN will not retain any other portion of the SPD MMCR Payments received from the State DHCS other than those specified above.

C. Conditions for Receiving SPD Base Rate Increase Payments

As a condition for receiving SPD Base Rate Increase Payments, PROVIDER shall,

1. Maintain and make available to PLAN's Medi-Cal enrollees until at least November 1, 2014:

(a) Level 1 Trauma Centers at LAC+USC Medical Center and Harbor/UCLA Medical Center;
(b) a basic emergency room at Olive View Medical Center
(c) a burn unit at LAC+USC Medical Center.

2. PROVIDER will not exercise its rights to terminate the Hospital Services Agreement or the Participating Provider Agreement before November 1, 2014.

D. Schedule and Notice of Transfer of Non-Federal Funds

PROVIDER shall notify PLAN within five (5) days of the date of the transfer of funds to State DHCS pursuant to the Intergovernmental Agreement.

E. Form and Timing of Payments

PLAN agrees to pay SPD Base Rate Increase Payments to PROVIDER in the following form and according to the following schedule:

(1) PLAN agrees to pay the SPD Base Rate Increase Payments to PROVIDER using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer).

(2) PLAN will pay the SPD Base Rate Increase Payments to PROVIDER no later than thirty (30) calendar days after receipt of any SPD MMCR Payments from State DHCS.

F. Consideration

(1) As consideration for the SPD Base Rate Increase Payments, PROVIDER shall use the SPD Base Rate Increase Payments for the following purposes and shall treat the SPD Base Rate Increase Payments in the following manner:

(a) The SPD Base Rate Increase Payments shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER during the State fiscal year to which the SPD Base Rate Increase Payments apply.

(b) To the extent that total payments received by PROVIDER for any State fiscal year under this Section 7 exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining SPD Base Rate Increase Payment amounts shall be retained by PROVIDER to be expended for health care services. Retained SPD Base Rate Increase Payment amounts may be used by the PROVIDER in either the State fiscal year received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the retained SPD Base Rate Increase Payments are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on SPD Base Rate Increase Payments funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of SPD Base Rate Increase Payments received, but not used. These retained PROVIDER funds may be commingled with other County funds for cash management purposes provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either from the County of Los Angeles or federal matching funds will be recycled back to the County general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement or Amendment constitute patient care revenues.

G. PLAN's Oversight Responsibilities

PLAN's oversight responsibilities regarding PROVIDER's use of the SPD Base Rate Increase Payments shall be limited as described in this paragraph. PLAN shall request, within thirty (30) calendar days after the end of each State fiscal year in which SPD Base Rate Increase Payments were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph 1.F above. In each

instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

H. Cooperation Among Parties

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the SPD Base Rate Increase Payments, PROVIDER and PLAN agree to work together in all respects to support and preserve the SPD Base Rate Increase Payments to the full extent possible on behalf of the safety net in Los Angeles County.

I. Reconciliation

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which SPD Base Rate Increase Payments were made to PROVIDER, PLAN shall perform a reconciliation of the SPD Base Rate Increase Payments transmitted to the PROVIDER during the preceding fiscal year to ensure that the supporting amount of SPD MMCRs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of SPD Base Rate Increase Payments made in error to PROVIDER within thirty (30) calendar days after receipt from PLAN of a written notice of the overpayment error, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Section 6.3.1 of the Agreement. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth section 6.4 of the Agreement. PLAN agrees to transmit to the PROVIDER any underpayment of SPD Base Rate Increase Payments within thirty (30) calendar days of PLAN's identification of such underpayment.

J. Indemnification

(1) PROVIDER shall indemnify and hold PLAN harmless against any losses, claims, demands, liabilities, court costs, judgments and expenses, imposed by a court or otherwise incurred by PLAN after the execution date of this Amendment as a result of PLAN's receipt of SPD MMCR payments or payment of SPD Base Rate Increase Payments, including but not limited to the following circumstances:

(a) In the event that State DHCS, the Department of Health and Human Services or any other federal or state agency recoups, offsets, or otherwise withholds any monies from or fails to provide any monies to PLAN, or PLAN is denied any monies to which it otherwise would have been entitled, for any reason relating to the Medi-Cal managed care capitation rate range increases arising from the Intergovernmental Agreement as such increases flow through the Medi-Cal Agreement between PLAN and the State and this Agreement, including but not limited to (i) State DHCS' use of SPD MMCR payments or SPD Base Rate Increase Payments to supplant or replace other amount in violation of the restrictions in Section 2.2 of the Intergovernmental Agreement; (ii) the failure of the SPD MMCR payments to qualify in whole or part for federal participation pursuant to 42 C.F.R. part 433, subpart B; or (iii) overpayment of SPD MMCR payments to PLAN by State DHCS, PLAN shall have a right to immediately recoup, offset or withhold any and all such amounts from payments otherwise due

to PROVIDER. Recovery by PLAN pursuant to this section shall include, but not be limited to, reduction in future SPD Base Rate Increase Payments paid to PROVIDER in an amount equal to the amount of SPD MMCR payments recovered from PLAN, or by reduction of any other amounts owed by PLAN to PROVIDER;

(b) PLAN shall pursue an appeal, a lawsuit, or any other available legal action to challenge any recoupment by State DHCS, the Department of Health and Human Services, or any other federal or state agency, that is not required by law, unless after consultation with PROVIDER and with good cause, PLAN determines that it is not in the best interest of PLAN and/or PROVIDER to do so;

(2) At PLAN's discretion, PROVIDER shall either provide or arrange for legal representation on PLAN's behalf or PLAN shall arrange for its own representation and be entitled to reasonable attorney's fees and costs from PROVIDER for such representation, in addition to any and all other relief to which PLAN may be entitled, including, but not limited to, the following circumstances:

(a) If any action at law, suit in equity, arbitration, or administrative action is brought against PLAN by State DHCS, the Department of Health and Human Services, any other federal or state agency or other individual or organization to: (i) enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments; or (ii) recoup, offset, or otherwise withhold any monies from PLAN relating to the SPD MMCR payments or SPD Base Rate Increase Payments; or

(b) If PLAN brings any appeal, action at law, suit in equity, arbitration or administrative action against the State DHCS, the Department of Health and Human Services or any other federal or state agency to (i) enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments; or (ii) in response to an action described in subparagraph I(1)(a) or subparagraph (2)(a) above:

(3) If PLAN prevails in any appeal, action at law, suit in equity, arbitration, or administrative action against PROVIDER to enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments or to recoup, offset, or otherwise withhold any monies relating to the SPD MMCR payments or SPD Base Rate Increase Payments, PLAN shall be entitled to reasonable attorney's fees and costs from PROVIDER; and

(4) In the event that PLAN believes that it is subject to any losses, claims, demands, liabilities, court costs, judgments or obligations to third parties which arise before the execution of this Amendment as a direct result of the parties' intention to enter into this Amendment or the terms of this Amendment, PLAN shall promptly notify PROVIDER of such belief. The parties will then negotiate, in good faith, the extent to which PROVIDER will provide indemnification. It is the parties' intention that PLAN not be substantially economically harmed as a result of its willingness to enter into these Amendments.

2. Term

Understanding that the service period to which this Amendment relates begins October 1, 2012 and continues through September 30, 2013, the parties agree that the term of this Amendment shall terminate on December 31, 2015.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

SIGNATURES

LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY, d.b.a. L.A. CARE HEALTH PLAN:

By: _____ Date: _____
Howard A. Kahn
Chief Executive Officer

COUNTY OF LOS ANGELES:

By: _____ Date: _____
Mitchell H. Katz, M.D.
Director, Department of Health Services

HEALTH PLAN-PROVIDER AGREEMENT

CAPITATION AGREEMENT FOR THE PROVISION OF HEALTH CARE SERVICES BY COUNTY

AMENDMENT (TBD)

This Amendment is made this ___ day of _____{month/year}, by and between HEALTH NET OF CALIFORNIA, INC, hereinafter referred to as "PLAN", and the COUNTY OF LOS ANGELES through its DEPARTMENT OF HEALTH SERVICES, hereinafter referred to as "PROVIDER".

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into an Agreement effective January 1, 2014;

WHEREAS, Section 7.1 of such Agreement provides for amending such Agreement;

WHEREAS, PLAN's affiliate, Health Net Community Solutions, Inc. ("HNCS"), arranges for the provision of health services to Medi-Cal enrollees under the two plan model addressed in the regulations at 22 Cal. Code Regs. Sections 53840 et seq. through a contract with PLAN. The Agreement between PLAN and PROVIDER is known as the California Hospital Services Agreement. Although in that Agreement PLAN is referred to as "Health Net," for purposes of this Amendment, it, together with HNCS, shall be referred to by the designation listed above.

WHEREAS, PROVIDER, which includes a network of acute care hospitals and free standing clinics, and their related physician services, would, without County subsidy, experience economic losses in connection with making essential services available to the public, including PLAN Medi-Cal Enrollees and requires additional revenue in order to assure their continuing availability and to make necessary infrastructure improvements to provide state-of-the-art care. Where appropriate given the context and in paragraph F below, PROVIDER may refer to individual health facilities owned and operated by the County of Los Angeles or to physicians employed or contracted with the County for the provision of care in those facilities; and

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for Medi-Cal managed care capitation rate increases to PLAN as a result of intergovernmental transfers ("IGTs") from the County of Los Angeles to the California Department of Health Care Services ("State DHCS") to maintain the availability of Medi-Cal health care services to Medi-Cal beneficiaries.

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

The following paragraph #15, IGT MEDI-CAL MANAGED CARE CAPITATION RATE RANGE INCREASES, shall be added to Addendum A, Medi-Cal Benefit Program Capitation Provisions, Section B:

15. IGT MEDI-CAL MANAGED CARE CAPITATION RATE RANGE INCREASES

1. IGT Capitation Rate Range Increases to PLAN

A. Payment

Should PLAN receive any Medi-Cal managed care capitation rate increases from State DHCS where the nonfederal share is funded by the County of Los Angeles specifically pursuant to the provisions of the Intergovernmental Agreement Regarding Transfer of Public Funds ("Intergovernmental Agreement") effective for the period October 1, 2012 through September 30, 2013 for Intergovernmental Transfer Medi-Cal Managed Care Rate Range Increases ("IGT MMCRRIs"), PLAN shall pay to PROVIDER the amount of the IGT MMCRRIs received from State DHCS, in accordance with paragraph 1.E below regarding the form and timing of Local Medi-Cal Managed Care Rate Range ("LMMCRR") IGT Payments. LMMCRR IGT Payments paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

B. Health Plan Retention

(1) Managed Care Organizations Tax

The PLAN shall be responsible for any Managed Care Organization ("MCO") tax due pursuant to the Revenue and Taxation Code Section 12201 relating to any IGT MMCRRIs through June 30, 2013. If the PLAN receives any capitation rate increases for MCO taxes based on the IGT MMCRRIs, PLAN may retain an amount equal to the amount of such MCO tax that PLAN is required to pay to the State DHCS, and shall pay, as part of the LMMCRR IGT Payments, the remaining amount of the capitation rate increase to PROVIDER.

(2) Medi-Cal Managed Care Seller's Tax

The PLAN shall be responsible for any Medi-Cal Managed Care Seller's ("MMCS") tax due pursuant to the Revenue and Taxation Code Section 6175 relating to any IGT MMCRRIs through September 30, 2013. If the PLAN receives any capitation rate increases for MMCS taxes based on the IGT MMCRRIs, PLAN may retain an amount equal to the amount of such MMCS tax that PLAN is required to pay to the State DHCS, and shall pay, as part of the LMMCRR IGT Payments, the remaining amount of the capitation rate increase to PROVIDER.

(3) PLAN may also retain One Hundred Thousand Dollars ($100,000) of the IGT MMCRRIs as an administrative fee for the services it renders in connection with this paragraph 15.

(4) PLAN will not retain any other portion of the IGT MMCRRIs received from the State DHCS other than those mentioned above.

C. Conditions for Receiving Local Medi-Cal Managed Care Rate Range IGT Payments

In addition to all other obligations imposed on PROVIDER by the Agreement, PROVIDER agrees that:

(1) It will maintain and make available to PLAN Medi-Cal Enrollees for the period October 1, 2012 through December 31, 2014, the following:

- Level 1 Trauma Centers at LAC+USC Medical Center and Harbor/UCLA Medical Center;
- a basic emergency room at Olive View Medical Center;
- a burn unit at LAC+USC Medical Center;
- a hyperbaric oxygen therapy chamber located on Catalina Island.

(2) PROVIDER will apply Inpatient Clinical Pathways as structured care tools for PLAN Medi-Cal Enrollees, as appropriate, for hospital admissions for the following conditions:

Community Acquired Pneumonia
Congestive Heart Failure
Uncomplicated Cellulitis
Appendectomy with Rupture
Appendectomy without Rupture
Laparoscopic Appendectomy without Rupture
Laparoscopic Cholecystectomy
Elective Colon Resection without Ostomy

(3) Subject to the requirements in paragraph 1.F below, PROVIDER agrees to assign the funds received pursuant to this Amendment on the effective date of this agreement between Inpatient and Outpatient Hospital Services and Physician/Practitioner Services in accordance with the proportions set by PLAN. These proportions will be established to represent a reasonable allocation based on the needs of these categories of services and the relative value of the services each provides.

D. Schedule and Notice of Transfer of Non-Federal Funds

PROVIDER shall notify PLAN within five (5) days of the date of the transfer of funds to State DHCS pursuant to the Intergovernmental Agreement.

E. Form and Timing of Payments

PLAN agrees to pay LMMCRR IGT Payments to PROVIDER in the following form and according to the following schedule:

(1) PLAN agrees to pay the LMMCRR IGT Payments to PROVIDER using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer).

(2) PLAN will pay the LMMCRR IGT Payments to PROVIDER no later than thirty (30) calendar days after receipt of the IGT MMCRRIs from State DHCS.

F. Consideration

(1) As consideration for the LMMCRR IGT Payments, PROVIDER shall use the LMMCRR IGT Payments for the following purposes and shall treat the LMMCRR IGT Payments in the following manner:

(a) The LMMCRR IGT Payments shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER during the State fiscal year to which the LMMCRR IGT Payments apply.

(b) To the extent that total payments received by PROVIDER for any State fiscal year under this Amendment exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining LMMCRR IGT Payment amounts shall be retained by PROVIDER to be expended for health care services. Retained LMMCRR IGT Payment amounts may be used by the PROVIDER in either the State fiscal year received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the LMMCRR IGT Payments are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on LMMCRR IGT Payments funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of LMMCRR IGT Payments received, but not used. These retained PROVIDER funds may be commingled with other County of Los Angeles funds for cash management purposes provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either from the County of Los Angeles or federal matching funds will be recycled back to the County of Los Angeles general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Amendment constitute patient care revenues.

G. PLAN's Oversight Responsibilities

PLAN's oversight responsibilities regarding PROVIDER's use of the LMMCRR IGT Payments shall be limited as described in this paragraph. PLAN shall request, within thirty (30) calendar days after the end of each State fiscal year in which LMMCRR IGT Payments were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph 1.F above. In each instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

H. Cooperation Among Parties

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the LMMCRR IGT Payments, PROVIDER and PLAN agree to work together in all respects to support and preserve the LMMCRR IGT Payments to the full extent possible on behalf of the safety net in Los Angeles County.

I. Reconciliation

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which LMMCRR IGT Payments were made to PROVIDER, PLAN shall perform a reconciliation of the LMMCRR IGT Payments transmitted to the PROVIDER during the preceding fiscal year to ensure that the supporting amount of IGT MMCRRIs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of LMMCRR IGT Payments made in error to PROVIDER within thirty (30) calendar days after receipt from PLAN of a written notice of the overpayment error, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Section 7.5 of the Agreement. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth below. PLAN agrees to transmit to the PROVIDER any underpayment of LMMCRR IGT Payments within thirty (30) calendar days of PLAN's identification of such underpayment.

J. Indemnification

(1) The parties agree that PLAN should not incur any liability in the event that the IGT MMCRRIs are not correctly administered. Therefore, anything to the contrary contained in this Agreement notwithstanding, PROVIDER shall indemnify, defend and hold PLAN harmless against any losses, claims, demands, liabilities, court costs, judgments and expenses, imposed by a court or otherwise incurred by PLAN at any time and for any reason related PLAN's receipt of IGT MMCRRIs or payment of LMMCRR IGT Payments, to the extent not caused by PLAN's own negligence or intentional misconduct.

(2) In the event that State DHCS, the Department of Health and Human Services or any other federal or state agency recoups, offsets, or otherwise withholds any monies from or fails to provide any monies to PLAN, or PLAN is denied any monies to which it otherwise would have been entitled, for any reason relating to the Medi-Cal managed care capitation rate range increases arising from the Intergovernmental Agreement as such increases flow through the Medi-Cal Agreement between PLAN and the State and this Agreement, including but not limited to (a) State DHCS' use of IGT MMCRRIs or LMMCRR IGT Payments to supplant or replace other amount in violation of the restrictions in Section 2.2 of the Intergovernmental Agreement; (b) the failure of the IGT MMCRRIs to qualify in whole or part for federal participation pursuant to 42 C.F.R. part 433, subpart B; or (c) overpayment of IGT MMCRRIs to PLAN by State DHCS, PLAN shall have a right to immediately recoup, offset or withhold any and all such amounts from payments otherwise due to PROVIDER. Recovery by PLAN pursuant to this section shall include, but not be limited to, reduction in future LMMCRR IGT Payments paid to PROVIDER in an amount equal to the amount of IGT MMCRRIs payments

recovered from PLAN or overpaid to PROVIDER, or by reduction of any other amounts owed by PLAN to PROVIDER

(3)At PROVIDERS request, PLAN shall pursue an appeal, a lawsuit, or any other available legal action to challenge any recoupment by State DHCS, the Department of Health and Human Services, or any other federal or state agency, that is not required by law, unless after consultation with PROVIDER and with good cause, PLAN determines that it is not in the best interest of PLAN and/or PROVIDER to do so;

(4) At PLAN's discretion, PROVIDER shall either provide or arrange for legal representation on PLAN's behalf or PLAN shall arrange for its own representation and be entitled to recoupment of reasonable attorney's fees and costs from PROVIDER for such representation, in addition to any and all other relief to which PLAN may be entitled in connection with any matter to which the indemnification in subsection (1) above applies or in connection with an appeal, lawsuit, or other available legal challenge under subsection (3) above.

2. Term

The term of this Amendment shall commence on October 1, 2012 and shall terminate on December 31, 2015.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

SIGNATURES

HEALTH PLAN: Health Net of California, Inc.

By: _____ Date: _____
David Friedman
Vice President, State Health Programs

PROVIDER: County of Los Angeles

By: _____ Date: _____
Mitchell H. Katz, M.D.
Director, Department of Health Services